

ORAL STATEMENT
OF
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BEFORE THE
SUBCOMMITTEE ON GOVERNMENT EFFICIENCY
AND
FINANCIAL MANAGEMENT
COMMITTEE ON GOVERNMENT REFORM
UNITED STATES HOUSE OF REPRESENTATIVES
ON
“ PAY PROBLEMS IN THE ARMY RESERVE”

July 20, 2004

Chairman Platts, Distinguished Members of the Subcommittee, my name is Pat Shine, and I am the Director of the Military and Civilian Pay Services Business Line for the Defense Finance and Accounting Service (DFAS). Thank you for this opportunity to discuss our role in paying Reserve Component Soldiers.

DFAS shares the responsibility to provide quality pay and customer service with the active and reserve components of the military departments. DFAS is chiefly responsible for the systems issues, which is the focus of my testimony today. We are taking a three prong attack to address these pay issues, the Department's ultimate solution is the Defense Integrated Military Human Resources System, the interim solution is the Forward Compatible Payroll System and the near term solution is our aggressive collaboration with the Assistant Secretary of the Army for Financial Management and Comptroller and the Reserve Components to work as one team in mitigating these problems. We have made progress in pay support over the last 6 months and I will address specifics later in my remarks.

Currently, DFAS maintains two separate payroll systems for the Army, Navy, and Air Force. The two systems are the Defense Joint Military Pay System (DJMS) – Active Component (AC) and DJMS-Reserve Component (RC). DJMS-AC is designed to pay active duty service members. In contrast, DJMS-RC was designed primarily to pay Reserve and Guard Soldiers for monthly drill pay, which requires input to be made *each month* by the Soldier's unit to certify drill attendance to initiate payment. In April of this year, we automated a key entitlement in DJMS-RC – Hardship Duty Pay-Location --, which has eliminated the requirement to manually input tens of thousands of manual transactions each month. This system improvement minimizes the risk of manual input error, and results in improved customer service for our deployed Reserve Component Soldiers.

When talking about pay systems, it is important to have a perspective of recent history. In the 1991 Gulf War, the Army transferred the pay accounts of mobilized Reserve and Guard Soldiers from the Reserve pay system to the active pay system. Since the pay system is not integrated with the personnel system, a Soldier's duty status was not automatically updated in the pay system. As a result, many Reserve and Guard Soldiers continued to receive active duty pay and allowances after they were demobilized. This caused millions of dollars in overpayments, as cited in a 1993 GAO report. To rectify this situation, in 1995 the Army made the decision to retain Reserve and Guard Soldiers on the reserve pay system in the future. This business practice remains in effect today, and DFAS concurs with this approach.

The (long term) ultimate fix to the pay problems that occurred during the Gulf War requires both the elimination of two separate payroll systems and the integration of multiple military personnel and payroll systems into *one integrated system*. The system that achieves this goal is the Defense Integrated Military Human Resources System (DIMHRS) program, under the auspices of the Office of the Secretary of Defense (Personnel and Readiness).

Due to the complexity and scope of delivering an integrated personnel and pay system for all military services, DoD has approved DFAS's strategy for an interim replacement of the current legacy Defense Joint Military Pay System (DJMS), to help resolve immediate payroll problems facing our service members. This replacement system is called Forward Compatible Payroll (FCP). FCP eliminates the problem of having the separate DJMS-AC and DJMS-RC systems; under FCP, active and Reserve component Soldiers will be on the same system. Implementation of FCP will begin with the Army's Reserve Components (RC) in the spring of 2005, with final implementation of the Navy by the spring of 2006.

In addition to these systems solutions, we have embarked on many other initiatives to improve pay for all our service members in the near term. An

executive oversight committee has been established consisting of senior executives from the Assistant Secretary of the Army for Financial Management and Comptroller, DFAS, and the Reserve Components, that provides quarterly updates to the House Government Reform Committee regarding progress made to improve pay for mobilized Soldiers. Within the last 6 months, we have collectively made great strides in improving processes and procedures within the finance community. The majority of these action items apply to both the Army National Guard (ARNG) and the US Army Reserve (USAR).

While significant improvements have been made in training, procedural guidance, and systems controls in support of mobilized Soldiers' pay, *these efforts have occurred primarily since the Fall of 2003. In many cases the success of these improvements will not be visible with the original mobilizations and deployments in support of Operation Iraqi Freedom (OIF)1.* They should result in improved pay support for those Soldiers currently deployed under OIF2 and, to an even greater extent, the Soldiers who are just beginning to be mobilized for OIF3. We are already seeing some results from our action plan. For example:

- We have implemented a military pay “safety net” as another way of ensuring accurate pay. One component of this safety net is a monthly data reconciliation of the pay accounts of demobilizing Soldiers; hundreds of Soldiers’ accounts have been corrected as a direct result of this component of the safety net.
- Another safety net component is the data reconciliation done between the DFAS central database and the deployed theater finance office’s arrival and departure manifests. Through this business practice initiative, we input at DFAS central site more than 31,000 transactions for mobilized Soldiers during June 2004, thus minimizing the risk associated with manual field input.

We also have improved the enforcement of internal controls designed to detect erroneous payments. Some of these include:

- DFAS centralized database reconciliation to ensure Soldiers are not paid on both the active and reserve pay systems.
- DFAS increased field finance office use of monthly file queries to check for erroneous payments.

Mr. Chairman, DFAS remains fully committed to our continuing partnership with all service components in improving the accuracy and timeliness of all service members' pay accounts. We will remain steadfast in the aggressive implementation of our action plan, and we look forward to reporting back our results to the GAO and to the committee. Thank You.